
ACADIANA OUTREACH CENTER, INC.
CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **APR 25 2012**

ACADIANA OUTREACH CENTER, INC.
CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Acadiana Outreach Center, Inc.
Lafayette, Louisiana

We have audited the accompanying consolidated statements of financial position of Acadiana Outreach Center, Inc. (a non-profit organization) and its subsidiary as of June 30, 2011 and 2010, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Acadiana Outreach Center, Inc. and its subsidiary as of June 30, 2011 and 2010, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012 on our consideration of Acadiana Outreach Center Inc.'s internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 10, 2012

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 345,114
Cash held on behalf of others	513	34,945
Accounts receivable (net of allowances of \$5,000 and \$20,000, respectively)	18,010	98,502
Pledges receivable	10,136	-
Grants receivable (net of allowances of \$0 and \$14,000, respectively)	22,814	313,747
Other receivable	15,385	-
Prepaid expenses	11,797	10,215
Total current assets	<u>78,655</u>	<u>802,523</u>
<u>OTHER ASSETS</u>		
Escrow	82,929	-
Deposits	-	35,000
Total other assets	<u>82,929</u>	<u>35,000</u>
<u>PROPERTY AND EQUIPMENT</u>		
Property and equipment, net	2,637,375	1,080,085
Construction in progress	362,937	104,493
	<u>3,000,312</u>	<u>1,184,578</u>
Total Assets	<u>\$ 3,161,896</u>	<u>\$ 2,022,101</u>

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Checks in excess of bank balance	\$ 3,681	\$ -
Accounts payable	141,662	118,580
Grant payable	49,173	-
Accrued expenses	225,627	29,187
Lease payable - current portion	4,782	4,459
LISC note payable - current portion	179,525	104,958
Lines of credit	483,923	248,869
Amounts held on behalf of others	14,467	34,945
Total current liabilities	<u>1,102,840</u>	<u>540,998</u>

LONG-TERM LIABILITIES

Lease payable - less current portion	129,067	133,534
Lease deposit	1,000	1,000
Note payable - long term	1,000,000	-
Total long-term liabilities	<u>1,130,067</u>	<u>134,534</u>
Total liabilities	<u>2,232,907</u>	<u>675,532</u>

NET ASSETS

Unrestricted net assets	918,853	1,346,569
Temporarily restricted net assets	10,136	-
Total net assets	<u>928,989</u>	<u>1,346,569</u>
Total Liabilities and Net Assets	<u>\$ 3,161,896</u>	<u>\$ 2,022,101</u>

The accompanying notes are an integral part of these financial statements.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>REVENUES</u>		
Donor contributions	\$ 77,620	\$ 150,862
Special events	308,539	508,508
Investment income	347	4,313
Grants	1,385,137	361,711
In-kind donations	275,100	303,860
Program revenue	313,201	857,071
Other revenue	13,858	-
Total revenues	<u>2,373,802</u>	<u>2,186,325</u>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>		
Satisfaction of program restrictions	10,135	-
Total revenue and support	<u>2,383,937</u>	<u>2,186,325</u>
<u>EXPENSES</u>		
Program	2,280,981	1,939,857
Management and general	366,533	385,429
Fundraising	164,139	207,217
Total expenses	<u>2,811,653</u>	<u>2,532,503</u>
Change in unrestricted net assets	<u>(427,716)</u>	<u>(346,178)</u>
<u>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS</u>		
Grants	20,271	-
Net assets released from restrictions	(10,135)	-
Change in temporarily restricted net assets	<u>10,136</u>	<u>-</u>
Change in net assets	(417,580)	(346,178)
Net assets at beginning of year	<u>1,346,569</u>	<u>1,692,747</u>
Net assets at end of year	<u>\$ 928,989</u>	<u>\$ 1,346,569</u>

The accompanying notes are an integral part of these financial statements.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (417,580)	\$ (346,178)
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities:		
Depreciation	94,431	90,413
Loss on disposition of assets	10,158	-
Bad debt expense	30,032	95,191
Changes in operating assets and liabilities:		
Deposits	35,000	(35,000)
Escrow	(82,929)	-
Accounts receivable	50,460	(134,441)
Pledges receivable	(10,136)	69,002
Grants receivable	290,933	(269,011)
Other receivable	(15,385)	-
Prepaid expenses	(1,582)	46,178
Accounts payable	37,036	48,570
Grant payable	49,173	-
Accrued expenses	196,440	20,594
Net cash provided by (used in) operating activities	<u>266,051</u>	<u>(414,682)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Construction in progress	(258,444)	(104,493)
Purchases of property and equipment	(661,879)	(54,112)
Net cash used in investing activities	<u>(920,323)</u>	<u>(158,605)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Principal payments on lease	(4,144)	(3,916)
Proceeds from financing	74,567	104,958
Line of credit	235,054	248,869
Checks in excess of bank balance	3,681	-
Net cash provided by financing activities	<u>309,158</u>	<u>349,911</u>
 Net decrease in cash and cash equivalents	 (345,114)	 (223,376)
Cash and cash equivalents - beginning of year	<u>345,114</u>	<u>568,490</u>
Cash and cash equivalents - end of year	<u>\$ -</u>	<u>\$ 345,114</u>
 Supplemental Information:		
Schedule of Noncash Investing and Financing Transactions		
Land purchased	1,000,000	-
Notes payable	(1,000,000)	-
	<u>-</u>	<u>-</u>
 Cash paid for interest expense	 <u>\$ 18,362</u>	 <u>\$ 15,913</u>

The accompanying notes are an integral part of these financial statements.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011			
	Program	Management and General	Fundraising	Total
Salary and wages expense	\$ 991,535	\$ 257,884	\$ 40,000	\$ 1,289,419
Professional fees	48,326	48,326	-	96,652
Client assistance expense	153,537	-	-	153,537
Insurance	116,891	6,152	-	123,043
Office expenses	35,847	3,983	-	39,830
Utilities and waste expense	143,314	7,543	-	150,857
Repairs and maintenance	39,534	2,081	-	41,615
Staff development	270	-	-	270
Fundraising expense	-	-	124,139	124,139
Interest expense	18,362	-	-	18,362
In-kind donations expense	345,750	-	-	345,750
Depreciation expense	89,709	4,722	-	94,431
Development expense	15,319	806	-	16,125
Homeless Management Information Systems (HMIS) expense	5,100	-	-	5,100
Other expenses	95,085	5,004	-	100,089
Equipment and supplies	-	-	-	-
Lease expense	182,402	-	-	182,402
Bad debt expense	-	30,032	-	30,032
	<u>\$ 2,280,981</u>	<u>\$ 366,533</u>	<u>\$ 164,139</u>	<u>\$ 2,811,653</u>

The accompanying notes are an integral part of these financial statements.

2010

<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 710,335	\$ 192,229	\$ 58,579	\$ 961,143
124,129	66,838	-	190,967
120,604	-	-	120,604
85,000	4,474	-	89,474
68,863	7,651	-	76,514
131,071	6,898	-	137,969
41,906	2,206	-	44,112
8,225	-	-	8,225
-	-	148,638	148,638
15,913	-	-	15,913
281,516	-	-	281,516
85,892	4,521	-	90,413
62,966	3,314	-	66,280
56,592	-	-	56,592
40,035	2,107	-	42,142
40,646	-	-	40,646
66,164	-	-	66,164
-	95,191	-	95,191
<u>\$ 1,939,857</u>	<u>\$ 385,429</u>	<u>\$ 207,217</u>	<u>\$ 2,532,503</u>

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Activities

Acadiana Outreach Center, Inc. (the Organization or AOC) was organized under the provisions of R.S. 1950, Title 12, Chapter 2, as amended, of the State of Louisiana on November 5, 1990. The Organization constitutes a not-for-profit corporation, organized exclusively for charitable, educational, and scientific purposes. The Acadiana Outreach Center, Inc. focuses on the needs of the poor and homeless in South Louisiana areas by providing substance abuse/mental health services, or women's emergency/transitional shelter, basic needs services, comprehensive case management services and structured rehabilitative programs to fight poverty, homelessness, and mental health and substance abuse conditions.

In April 2009, Urban Ventures, LLC was created to help in the development and administration of charitable programs and the ownership and development of real properties in relation to charitable programs. Urban Ventures, LLC is a 100% owned subsidiary of Acadiana Outreach Center, Inc.

AOC's mission is to restore the lives of our poverty stricken neighbors by providing critical recovery services – access to housing, meaningful employment and addiction treatment. These services are delivered through faith based programs easily accessible to their clients. The Organization is focused on the delivery of positive client outcomes as they assist in the transition from dependency to self-sufficiency. The Organization's major programs are as follows:

Recovery Action Center (Basic Needs Services) - Acadiana Outreach Center, Inc. provides the poor and homeless with an outreach and intake center providing basic services such as restroom, shower and laundry facilities, clothing, and necessities. The clients of the Recovery Action Center also receive case management, housing referrals and assistance, medical referrals, rehabilitative assistance, job placement assistance, transportation, and referrals to mental health and substance abuse counseling. In addition, the Recovery Action Center coordinates referrals for access to mainstream services such as identification, food stamps, Social Security, and Veterans Administration. During times of below freezing temperatures and life threatening weather conditions, the Recovery Action Center stays open overnight for Freeze Plan as a way to provide safety for the homeless from the inclement weather.

Three Graces Substance Abuse Treatment Facility – This facility was opened during the fiscal year ended June 30, 2011 and closed subsequent to year-end. The Three Graces Substance Abuse Treatment Facility in Abbeville, LA was a 90-bed, dual diagnosis behavioral healthcare program focusing on the co-existence of mental health and substance abuse conditions. Clients were referred from a variety of sources, including inpatient treatment centers, family members, Drug Court programs from across the state, et cetera. Clients receive substance abuse and mental health counseling, vocational assessment and rehabilitative counseling, and employment preparedness, job search and placement assistance. Three Graces collaborated with Louisiana Rehabilitation Services (LRS) and the Louisiana Office for Addictive Disorders Access to Recovery Program (ATR) to provide assistance to clients with disabling conditions that are related to substance abuse. The facility offered intensive outpatient and sober living services, expanded to include a 28-day medically-supported detox program, allowing clients to experience a full spectrum of care within one program.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Activities (continued)

Lafayette Campus Sober Living Houses – The five JOTC houses on the Lafayette Campus have become Sober Living transitional three-quarter houses for clients of the Three Graces program. Once clients have completed the Abbeville program, they are eligible to move into one of these houses in order to begin their transition into a post-treatment life. Within these sober living houses, clients receive basic shelter services (shelter, meals, bathing, laundry, phone, mail) as well as educational, living skills activities and other support services that enable them to learn new coping mechanisms and habits that will enable them to maintain their sobriety post-treatment. These houses include:

- *Naomi House*: a fourteen-bed shelter for women
- *Joshua House*: an eight-bed shelter for men
- *Monroe House*: a fourteen-bed shelter for men
- *Genesis and Journey Houses*: sheltering ten men and women

Lighthouse Women and Children's Shelter - The Lighthouse is an emergency/transitional shelter for homeless women and their children. The Lighthouse is a twenty-eight (28) bed facility providing case management, housing referrals, job placement assistance, life skills training, parenting classes, tutoring for the children, plus the basic necessities of food, shelter, and clothing. The Lighthouse is a place where women and children can temporarily call home while they transition from homelessness to self-sufficiency with support and guidance from a caring and nurturing staff.

Community Activity Center - This facility serves as a community activity and training center for all Acadiana Outreach Center programs. The facility also houses additional projects that provide free services to the poor and homeless community such as clothing at the Well-mart Closet and food at the Well-mart Pantry. Significant gatherings are held each year in this location where free services are provided to the community at large, such as Christmas for Kids serving over 300 children with Christmas gifts; Thanksgiving Dinner serving over 300 meals, and Christmas Dinner serving over 300 meals complete with Santa and small gifts for children. Other services held in this facility include training workshops, AA and NA meetings, and church services.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Activities (continued)

Homeless Management Information System (HMIS) ServicePoint™ - ServicePoint™ is a web-based consumer management information system arming its agencies with powerful management and collaborative solutions. It makes workers more efficient by automating and streamlining paper and manual processes, expedites the delivery of critical services and enables organizations to deliver the best possible care. It enables workers to assess, refer and track clients; coordinate care; plan and manage programs; gather statistics for analysis and reporting; identify performance measurements; and share data with others in real time. Acadiana Outreach Center, Inc. has served as the lead agency since its implementation in 2000 for the eight parish region of Acadiana providing system administration, maintenance, technical support, and user training for participating agencies and their programs. ServicePoint™ has proven to be a valuable tool for participating agencies, allowing for integrated and comprehensive case management regarding the client's care and services across a wide array of service providers. The Acadiana Outreach Center has had a pivotal role in the State of Louisiana's goal of combining several regional HMIS databases into one overall statewide site.

See Notes 10 and 11 for additional information regarding the change in the programs subsequent to year end.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Acadiana Outreach Center Inc. and its 100% owned subsidiary Urban Ventures, LLC, which began operations on April 30, 2009. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had temporarily restricted net assets of \$10,136 and \$0 at June 30, 2011 and June 30, 2010, respectively. The Organization did not have any permanently restricted net assets at June 30, 2011 or June 30, 2010.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with original maturities of less than three months.

Property and Equipment

Property and equipment are stated at historical cost. Donated assets are recorded at fair market value which is then treated as cost. Depreciation of property and equipment is based upon the estimated useful service lives of the assets, which range from 5 - 40 years, using the straight-line method. Maintenance and repairs are charged to expense, while additions and improvements in excess of \$2,000 are capitalized.

Revenue Recognition and Receivables

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Accounts receivable consist of amounts due to the Organization in accordance with contract agreements and are for services performed. Accounts are considered past due based on their contractual terms; however, the Organization does not charge interest on past due accounts.

Pledges receivable are recognized as revenue in the period the promise is received. Pledges receivable are recorded at their realizable value given they are expected to be collected within one year.

Grants for fee income are recorded as unrestricted net assets in the Statement of Activities. Grants receivable represents amounts owed to the Organization for costs incurred under federal and state grant contracts which are reimbursable to the Organization.

The allowance for doubtful accounts is based on management's estimate of collectability of receivables based on economic conditions, experience and other relevant factors. Accounts receivable is recorded net of an allowance for bad debts of \$5,000 and \$34,000 at June 30, 2011 and 2010, respectively.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued)

Contributed Services

The Organization recognizes contribution revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. During the years ended June 30, 2011 and 2010, the total value of contributed services meeting the requirements for recognition totaled \$60,727 and \$26,563, respectively. Contributed services represent volunteer hours worked by various social workers and other professionals.

Donated Supplies

The Organization received various donated supplies to be used within the programs and to be distributed to clients without charge during the fiscal years June 30, 2011 and 2010. These contributions have been recorded at their estimated fair value as revenue with the offset recorded to expenses. The values of donated supplies received during the years ended June 30, 2011 and 2010 were \$214,373 and \$277,297, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and administrative activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Accordingly, certain costs have been allocated between program and administrative expense based on management's estimate.

Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes is necessary.

In 2009, the Organization adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. The Organization recognizes the effect of income tax positions only if the positions are more likely than not of being sustained. Recognized income tax positions are recorded at the largest amount that is greater than 50% likely of being realized. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions. With few exceptions, the Organization is no longer subject to federal, state, or local tax examinations by tax authorities for years before June 30, 2008.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Property and Equipment

Property and equipment acquired by the Organization is considered to be owned by the Organization. The composition of property and equipment at June 30, 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 1,858,167	\$ 224,496
Buildings & improvements	1,294,520	1,295,295
Vehicles	31,722	46,564
Furniture, fixtures, & equipment	<u>349,412</u>	<u>354,484</u>
	\$ 3,533,821	\$ 1,920,839
Accumulated depreciation	<u>(896,446)</u>	<u>(840,754)</u>
Net book value	<u>\$ 2,637,375</u>	<u>\$ 1,080,085</u>

Depreciation expense for the years ended June 30, 2011 and 2010 totaled \$94,431 and \$90,413, respectively.

Construction in progress for the years ended June 30, 2011 and 2010 totaled \$362,937 and \$104,493, respectively. See Note 11.

4. Lease Payable

The Lease payable at June 30, 2011 and 2010 consists of the following:

A \$148,750 lease payable to Round Table Real Estate, LLC with a monthly payment of \$1,163, with interest at 7.0% per annum amortized over 240 months with a balloon payment due August 17, 2012	<u>2011</u>	<u>2010</u>
	<u>\$ 133,849</u>	<u>\$ 137,993</u>

The lease is a lease to purchase agreement for the property located at 114 Olivier Street. Round Table Real Estate Investment Co., LLC financed the acquisition of the leased property by securing a loan from IberiaBank. The IberiaBank loan is secured by a mortgage on the leased property and assignment of Tenant's rent under the lease agreement and tenant's continuing guaranty. The amount of the bank loan is equal to the balance of lease payable as of June 30, 2011 and 2010. Acadiana Outreach Center, Inc. has the option to purchase the leased property at anytime during the term of the agreement. See Note 11.

Aggregate maturities of long-term lease payable are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 13,956
2013	<u>129,936</u>
	143,892
Less: Amount representing interest	<u>(10,043)</u>
	<u>\$ 133,849</u>

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Line of Credit

The Organization has a line of credit for up to \$248,869 with a balance of \$233,923 and \$241,350 at June 30, 2011 and 2010, respectively. The loan is repaid in 23 monthly payments of \$2,710 and a final payment of \$212,248 with an interest rate of 5.5%. The line of credit is secured by property and matures on February 7, 2013. The line of credit is payable upon demand and thus will be classified as a current liability. See Note 11.

The Organization has a second line of credit for up to \$250,000 with a balance of \$250,000 and \$7,519 at June 30, 2011 and 2010, respectively. An interest rate of 5% of the current balance outstanding is payable monthly. The line of credit is secured by property and matures on July 5, 2012. This line of credit is payable upon demand and thus will be classified as a current liability. See Note 11.

Interest expense for the fiscal years 2011 and 2010 totaled \$18,362 and \$15,913, respectively.

6. Notes Payable

In October 2009, the Organization entered into a promissory note with Local Initiatives Support Corporation (LISC) for a loan of up to \$180,000. This loan is an unsecured, full recourse obligation note which bears no interest. The note is due in the current fiscal year and thus will be classified as a current liability. The balance of the note payable as of June 30, 2011 and 2010 was \$179,525 and \$104,958, respectively. The proceeds from this note can only be used to pay pre-development costs on properties specified by the terms of the agreement. The note has covenants which require audited financial statements within 120 days of year end. The Organization obtained an extension for the reporting requirement which extends the compliance date to January 31, 2012. See Note 11 for further details regarding the housing development project.

In April 2011, the Organization entered into a promissory note with Lafayette Public Trust Financing Authority (LPTFA) for \$1,000,000 to acquire property related to the Joie de Vivre project. This loan is secured by the properties acquired and bears no interest until the project is considered "placed in service". The balance of this note as of June 30, 2011 was \$1,000,000. Payments of principal and interest are to commence in January 2013 thus the liability will be classified as long term. See Note 11.

7. Grant Payable

In July 2011, the Organization's ATR program was audited by DHH and deficiencies were noted that resulted in \$29,190 reimbursement to the ATR program. Payments will be made through a reduction of future revenues beginning in September 2011 for the next ten months or when paid in full.

In July 2011, the Organization requested a reimbursement of expenses related to the HUD HMIS program for expenses related to the current fiscal year. Upon further review, the Organization noted that the amounts requested totaling \$19,983 were received but not utilized for the purpose of the request or grant. As such, this amount is payable to HUD HMIS and accrued in the accompanying financial statements.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Concentration of Credit Risk

The Organization maintains several accounts at a local financial institution. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. Management believes the credit risk associated with these deposits is minimal.

9. Temporarily Restricted Net Assets

Net assets of \$20,271 were received of which \$10,136 is still temporarily restricted for the United Way Skillful Families for Acadiana at June 30, 2011. There were no temporarily restricted net assets in the prior year.

10. Current Operating Environment

Over the past several years, the Organization has experienced operating losses and negative cash flow from operating and investing activities due to expenses related to the acquisition of land related to the Joie de Vivre Project. In addition, Three Graces was unable to generate positive cash flows as anticipated.

As a result, the Organization developed a management plan to manage its cash flow and liabilities through the following:

- The selling of properties to pay down the related debts. See Note 11.
- Reducing the number of programs offered – effective December 31, 2011 the Recovery Action Center ceased operations; the 5 transitional /sober living homes and the Community Center have been closed and were part of the properties sold;
- Requested grants currently administered by the Organization with HUD (HMIS and Oasis) be transferred over to Lafayette Catholic Services;
- Significant reduction in staff to now only include 5 full-time and 4 part-time employees

In January 2012, these plans were implemented which has allowed the Organization to continue operations at a smaller scale.

11. Subsequent Events

Management has evaluated subsequent events through the date the financial statements were available to be issued, February 10, 2012, and determined that the following events have occurred that require disclosure:

- Three Graces ceased operations in August 2011 due to the inability to generate positive cash flows.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Subsequent Events (Continued)

- **Joie de Vivre Project**

Beginning in the summer of 2007, the Acadiana Outreach Center began seeking ways to mitigate the issues of housing for Lafayette residents who earn under the median income in order to address the root causes of poverty. While working with the University of Louisiana at Lafayette's Architecture Department on campus renovations, the idea of an affordable housing development was broached which has become the Joie de Vivre apartment and retail complex. This development will contain 6 buildings housing 72 apartment units as well as retail and commercial space. The residents will be limited to those earning less than 60% of the median income for Lafayette: for a one person household, this would be \$24,180 per year or under, while for a household of four, this would be \$34,500 or under. Initial funding for pre-development costs as it relates to associated properties was financed by the LISC loan mentioned in Note 6.

As of June 30, 2011, the Acadiana Outreach Center had utilized two federal appropriations for \$274,400 and \$712,500 to purchase properties, manage the development, and obtained tax credits from the state in order to finance the construction. The Acadiana Outreach Center was to only own .01% of the development, while the rest was to be owned by those investors who purchase the tax credits. A professional management company was hired to oversee the daily operations of the development.

In January 2012, Acadiana Outreach Center transferred the Joie de Vivre project to Lafayette Public Trust Financing Authority (LPTFA) due to financial conditions. The transfer included the properties described in the preceding paragraph; the construction in progress, along with the \$1,000,000 note payable to LPTFA. See Notes 3 and 6. Additionally, for \$1.13 million, the LPTFA agreed to purchase an additional nine Acadiana Outreach Center properties and acquired 100% ownership in JDV Development LLC. The purchase included the Center's main campus and administrative offices as well as properties used as transitional shelters for men and women in their recovery programs. The proceeds from the sale were used to pay off the related payables for the project, the LISC note payable, lease payable, a portion of the accrued expenses and the lines of credit.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AND
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Directors
Acadiana Outreach Center, Inc.
Lafayette, Louisiana

We have audited the financial statements of Acadiana Outreach Center, Inc. (the Organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2011-1, 2011-2 and 2011-3 in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described as items 2011-4 and 2011-5 in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and other matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011 -1 through 2011-5.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management of Acadiana Outreach Center, Inc. and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 10, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
Acadiana Outreach Center, Inc.
Lafayette, Louisiana

Compliance

We have audited the compliance of Acadiana Outreach Center, Inc. (the Organization) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The Organization's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-6 and 2011-7.

Internal Control Over Compliance

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-6 and 2011-7. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Organization as of and for the year ended June 30, 2011, and have issued our report thereon dated February 10, 2012, which contained an unqualified opinion on those financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the Organization, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 10, 2012

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass-Through Grantor/ Program Name	Grant Number (s)	CFDA Number	Expenditures
<u>U.S. Department of Housing and Urban Development</u>			
Direct Programs:			
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	B-09-SP-LA-0464/0002	14.251	\$ 986,900
Supportive Housing Program	LA0023B6H000802 LA0007B6H000802 LA00110B6H000802	14.235	258,368
Pass-Through the Lafayette City Government:			
Emergency Shelter Grants	N/A	14.231	8,845
ARRA- Homeless Prevention and Rapid Re-housing Program Technical Assistance	685485	14.262	113,233
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,367,346</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Acadiana Outreach Center, Inc and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE B – RECONCILIATION TO FINANCIAL STATEMENTS

Since revenues are recognized to the extent expenditures are incurred, expenditures are readily identifiable with the revenue reported with the exception of the following:

Total grants revenue	\$ 1,385,137
Less:	
Non-federal revenue sources	(12,636)
Advanced funds not expended	(5,155)
Total federal grant revenue	\$ <u>1,367,346</u>

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☒ yes ☐ no

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

14.251

Economic Development Initiative

The threshold for distinguishing types A & B programs was program expenditures exceeding \$300,000.

- Acadiana Outreach Center was not determined to be a low-risk auditee.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2011-1 Financial statement preparation

<u>Criteria:</u>	The concept of internal control over financial reporting relates to policies and procedures that exist regarding an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).
<u>Condition:</u>	As part of the audit process, we assisted management in drafting the financial statements and related note disclosures required for the year-end financial reporting. In the current period we proposed numerous journal entries including an entry to record the \$1,000,000 note payable to Lafayette Public Trust Financing Authority. The fact that our role is a key part of the preparation of the financial statements in accordance with generally accepted accounting principles (GAAP) is an indication that the internal control over year-end GAAP financial statements by Organization personnel is not sufficient. This is a repeat finding from the prior year.
<u>Cause:</u>	The material weakness was caused due to management turnover at both the CEO level and financial manager level, as well as the lack of recording all transactions on a timely basis.
<u>Effect:</u>	A material weakness exists with respect to the preparation of financial statements in accordance with GAAP.
<u>Recommendation:</u>	The Organization should take a more active and participatory role in the drafting of financial statements and related notes and the recognition and timely recording of material non-cash transactions.

View of Responsible Official and Planned Corrective Action:

The Organization has now restructured its Finance Department to include the hiring of an independent CPA to prepare such monthly reports. This person reports directly to the Board of Directors. In addition, the Board has voted to increase the number of times they meet during the year from once a quarter to monthly. Full board meets every other month and the Executive Committee meets on alternate months.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2011-2 Reconciliation of key balance sheet accounts to supporting information

<u>Criteria:</u>	Internal control over financial information includes ensuring that policies and procedures exist that require reconciliations of key balance sheet accounts in the general ledger to supporting information and schedules. Additionally all transactions both incoming and outgoing via wire transfers should be recorded on a timely basis.
<u>Condition:</u>	During the audit, we noted that many of the balance sheet accounts required adjustment. The following accounts had not been reconciled to the general ledger during the year or at year end: cash, receivables, prepaid assets, fixed assets, accounts payable and other liabilities. We also noted that a substantial number of incoming and outgoing wire transfers were not recorded. Accounting tasks such as monthly reconciliations play a key role in proving the accuracy and timeliness of accounting data and information included in financial statements.
<u>Cause:</u>	The material weakness was caused due to management turnover at both the CEO level and financial manager level and the use of two accounting systems during the year.
<u>Effect:</u>	The information in the general ledger was not complete and accurate at year-end and required numerous adjusting journal entries. Weak internal controls increase the risk of misappropriation or loss that could occur or not be detected in a timely manner, if at all.
<u>Recommendation:</u>	The Organization should establish monthly processes and reviews, which include reconciliations of key balance sheet accounts as a customary part of their monthly closing process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have been typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend that the use of two accounting systems be discontinued and that all transactions be recorded on a timely basis in one general ledger.

View of Responsible Official and Planned Corrective Action:

The Organization has now restructured its Finance Department to include the hiring of an independent CPA to prepare such monthly reports. This person reports directly to the Board of Directors. In addition, the Board has voted to increase the number of times they meet during the year from once a quarter to monthly. Full board meets every other month and the Executive Committee meets on alternate months. In addition, a full conversion to QuickBooks has been completed so that is the only accounting systems the Organization is now using.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2011-3 Grant related reimbursements

- Criteria:** Internal controls should be in place to ensure proper tracking of the grant revenue and related expenditures in order to properly support grant reimbursement requests.
- Condition:** As part of the audit process we noted that policies and procedures were not in place to ensure proper documentation was maintained and submitted with the reimbursement requests. After a third party review, it was determined that the Organization did not have the proper support for requesting reimbursement. The Organization has subsequently made repayment to the grantor.
- Cause:** The material weakness was caused due to management turnover at both the CEO level and financial manager level. In addition, the grant volume increased during the year as the Organization has established new programs.
- Effect:** Weak internal controls increase the risk of misappropriation or loss that could occur or not be detected in a timely manner, if at all.
- Recommendation:** Management should develop policies and procedures for tracking and reporting of grant revenues and expenditures. Also, reimbursement requests should be reviewed for accuracy and proper support by management.

View of Responsible Official and Planned Corrective Action:

Upon the recommendation of the auditors, the Organization has adopted a new spreadsheet / binder system to track grant revenue. In addition, CEO has been training with HUD on specifically how grant vouchers should be prepared. Once a draw has been made, a copy of the voucher will be given to the Financial Manager for proper recording.

2011- 4 Support for Employee Reimbursement Requests

- Criteria:** Internal controls should be in place to ensure proper documentation is maintained for all employee reimbursement requests and that reimbursements are in accordance with established policies and procedures.
- Condition:** As part of the audit process we noted that policies and procedures were not in place to ensure proper documentation was submitted and maintained with the reimbursement requests. As a result of the turnover in the CEO position, Management performed an internal review of employee expense reimbursements. The results of the investigation showed evidence unauthorized

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2011-4 Support for Employee Reimbursement Requests (continued)

reimbursement of expenses out of unrestricted funds totaling a maximum of \$18,000. The Organization reimbursed the former employee for items that appeared to be personal expenses which were charged on a credit card for meals, gasoline, hotel charges and other non-business related expenses. Unsupported mileage reimbursements were also submitted and paid by the Organization. Management has determined that no federal or state funds were used to pay these expense reimbursements.

Cause: This significant deficiency was caused due to lack of monitoring and lack of segregation of duties over employee reimbursements.

Effect: Weak internal controls increase the risk of misappropriation or loss that could occur or not be detected in a timely manner, if at all.

Recommendation: Management should develop policies and procedures to ensure proper receipts are maintained for all employee reimbursement requests. We recommend that a board member approve all reimbursements to the CEO.

View of Responsible Official and Planned Corrective Action:

All employee reimbursement requests must be submitted with an internal form and copy of the receipt. All CEO reimbursements must be approved by a member of the Board of Directors. The employee is no longer working for the Organization and has made restitution of approximately \$15,200 and the internal investigation has been closed.

2011-5 Timely Submission of the Financial Statement and Compliance Audit

Criteria: LA R.S. 24:513 requires all political subdivisions to submit audited financial statements and other appropriate compliance audit reports to the Louisiana Legislative Auditor within six months of the end of its fiscal year.

Condition: The financial statements and compliance audits were submitted after the six month time frame.

Cause: Management turnover at both the CEO level and financial manager level and the use of two accounting systems during the year caused a delay in preparing the financial statements.

Effect: The Organization is out of compliance with the statute.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

B. FINDINGS – FINANCIAL STATEMENT AUDIT (continued)

2011-5 Timely Submission of the Financial Statement and Compliance Audit (continued)

Recommendation: The Organization should establish monthly processes and reviews, which include reconciliations of key balance sheet accounts as a customary part of their monthly closing process. This would involve monthly reconciliations of all accounts, making adjustments throughout the year that have been typically been made at year-end only, and performing more frequent reviews of the general ledger throughout the year, including making any necessary adjustments. We also recommend that the use of two accounting systems be discontinued and that all transactions be recorded on a timely basis in one general ledger.

View of Responsible Official and Planned Corrective Action:

The Organization's Management agrees with the finding. We would like to point out that submitting our audits untimely is an uncommon practice. This year's audit encountered unusual circumstances. However, steps will be taken to ensure timely submission of future audits in accordance with the aforementioned statute.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

**14.251 Economic Development Initiative-Special Project, Neighborhood Initiative and
Miscellaneous Grants**

Grant No(s): B-08-SP-LA-0464; B-09-SP-LA-0002

2011-6 Activities Allowed

Criteria: OMB Circular A-122 requires that charges to awards for salaries and wages, whether treated as direct costs or indirect costs, are to be based on documented payrolls approved by a responsible official(s) of the organization. The distribution of salaries and wages to awards must be supported by personnel activity reports. These reports must reflect the distribution of activity of each employee and must be maintained for all staff members (professionals and nonprofessionals) whose compensation is charged, in whole or in part, directly to the grant award. The reports are to be prepared monthly and coincide with one or more pay periods. The reports must also reflect an after-the-fact determination of the actual activity of each employee and be signed by a supervisor with firsthand knowledge of the activities performed by the employee.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT (continued)**

**14.251 Economic Development Initiative-Special Project, Neighborhood Initiative and
Miscellaneous Grants (continued)**

Grant No(s): B-08-SP-LA-0464; B-09-SP-LA-0002

2011- 6 Activities Allowed (continued)

Condition: Administrative salaries of the Organization including the CEO, Financial Manager, Property Manager, Community Relations Director, and administrative support personnel were not supported by personnel activity reports as required under OMB Circular A-122.

Questioned Costs: \$59,330

Cause: Management was unaware of the criteria requiring personnel activity reports for each employee charged to the grant and due to the recent turnover in management staffing unable to locate timesheets supporting the time charged to the grant award.

Effect: The Organization did not meet the documentation requirements of OMB Circular A-122.

Recommendation: Management should develop policies and procedures to ensure that all salaries and wages charged to grant awards should be supported by personnel activity reports as required under OMB Circular A-122.

View of Responsible Official and Planned Corrective Action:

Management will implement policies and procedures to ensure timesheets are maintained to document the time and effort of employees charged to future grant awards.

2011 – 7 Reporting

Criteria: Under the terms of the grant agreement with the Department of Housing and Urban Development the Organization shall submit a written request to close-out the grant thirty days after the Organization has drawn down all funds and completed activities described in the application. The final report shall consist of a narrative of all work accomplished during the project period and a completed Financial Status Report – Form 269A covering the entire project period.

Condition: The Organization did not file the final close-out report within the 30 days after the final draw down of funds which occurred in May 2011.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT (continued)

14.251 Economic Development Initiative-Special Project, Neighborhood Initiative and
Miscellaneous Grants (continued)

Grant No(s): B-08-SP-LA-0464; B-09-SP-LA-0002

2011 – 7 Reporting (continued)

Cause: Due to significant staff turnover in management of the Organization, including the grant administrator, the report was not filed timely.

Effect: The Organization has not complied with the grant terms regarding project close-out.

Questioned Costs: None

Recommendation: The Organization should complete the final close-out report as soon as possible.

View of Responsible Official and Planned Corrective Action:

Due to the significant amount of turnover within the Organization during the fiscal year, the submission of the report was overlooked. The final close out report was completed in December 2011 and submitted to HUD.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

A. FINDINGS – FINANCIAL STATEMENT AUDIT:

2010 - 1 Financial Statement Preparation

Criteria: The definition of internal control over financial reporting is that policies and procedures exist that pertain to an entity's ability to initiate, record, process, and report financial data consistent with the assertion embodied in the annual financial statements, which for the Organization, is that financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: As part of the audit process, we assisted management in adjusting the trial balance, drafting the financial statements and drafting the related notes for the year-end audit. Because our involvement is so key to that process that is an indication that the internal control over financial reporting of the Organization meets the definition of a material weakness.

Cause: The material weakness was caused due to management turnover at both the CEO level and financial manager level.

Effect: A material weakness exists with respect to the preparation of financial statements in accordance with GAAP.

Recommendation: Management should consider the cost-benefit of hiring an outside consultant to compile financial reports on a quarterly basis.

Current Status: Not corrected. See finding number 2011-1.

ACADIANA OUTREACH CENTER, INC.
LAFAYETTE, LOUISIANA

SUMMARY OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

A. FINDINGS – FINANCIAL STATEMENT AUDIT (continued):

2010 - 2 Accounts Receivable and Construction in Progress Tracking

<u>Criteria:</u>	Internal controls should be in place to ensure proper accounting and reporting of an organization's assets.
<u>Condition:</u>	As part of the audit process we noted that policies and procedures were not in place to ensure proper reporting of accounts receivable and construction in progress at year-end. Accounts receivable and construction in progress listings were not maintained and were only prepared with our assistance for year-end financial reporting. Because our involvement was so key to that process that is an indication that the internal control over these processes of the Organization meets the definition of a material weakness.
<u>Cause:</u>	The material weakness was caused due to management turnover at both the CEO level and financial manager level. In addition, the Organization has continued to see an increase in grant funding due to new programs established during the fiscal year.
<u>Effect:</u>	Weak internal controls increase the risk of misappropriation or loss that could occur or not be detected in a timely manner, if at all.
<u>Recommendation:</u>	Management should develop policies and procedures for tracking and reporting of accounts receivable and construction in progress on a timely basis.

Current Status: Not corrected. See finding number 2011-2.